

SUPPLIER RELATIONSHIP MANAGEMENT ISSUES AND CHALLENGES IN INDIAN AUTOMOBILE INDUSTRY

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ABSTRACT

The main rationale for the Indian economy and the global economy's contributor is considered to be an automotive industry. An Organization's main & important role is played by the Supplier Relationship Management (SRM) as the suppliers decide the cost, quality, reliability, product's delivery, accessibility & services and hence the main focus and subject of this study are on the practices of the supplier relationship management that have been followed by the automobile industries and also on the difficulties faced in the pursuit of the practice of SRM to uplift the organization's performance. This study deals with an approach of explanatory design and the Questionnaires are used as an instrument to capture the main data. Furthermore, the study also uses Descriptive statistics with the help of Statistical Package for Social Scientists (SPSS) for the quantitative data analysis. To link the dependent and independent variables a conceptual framework is developed and SRM implementation results in either the complete rise of the organization's relationship with the suppliers or can also lead to a poor supplier's management inside the organization, but still there exists a lot of confusion about SRM and its implementations. The conclusion of the study reveals that the knowledge of the suppliers is a must to rise from the problems faced in Supplier Relationship Management, Suppliers cooperation, and Management of time is the key point to improve the SRM performance.

KEYWORDS: *Supplier Relationship Management, Supplier Cooperation, Automotive Industry & Indian Economy*

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INTRODUCTION

One of the core industries in India and global markets largest industry is considered to be automobile industry and also auto component industry (Bharat, 2014). Therefore, the main rationale for the Indian economy and the global economy's contributor is considered to be an automotive industry (Thomas, 2013). The Gross Domestic Product (GDP) of Indian automobile industry accounts to be 7.1% to country's GDP growth and the manufacturing GDP of the country accounts to be 22% (Shoeb & Maqbool, 2017). To monitor and track the line of production, the manufacture's prime target is the suppliers in the highly competitive market space. Moreover, to increase the visibility of the product offerings, the manufacturers are undergoing pressure tremendously with the technological growth. However, to maintain and raise profit levels in the automotive industry, the top business providers are working tremendously to build a relationship with the suppliers and in gaining their trust (Spend Edge, 2018). The partnership between Vehicle Assemblers (VA) and their suppliers will be more effective and meaningful only when the mutual benefits results to both of them. The segmented approach and supply base rationalization is caused by the issue of Vas which has the necessity to invest considerable resources, cost-effective and also the efforts in attaining collaboration with their suppliers. Hence, it is essential to identify the focuses area for the supplier relationship success and also understanding the involved issues is vital (Bhattacharya et al., 2015).

An Organization's main & important role is played by the Supplier Relationship Management (SRM) as the suppliers decide the cost, quality, reliability, product's delivery, accessibility & services (Wambani, 2015). However, over the period of time, Supplier Relationship Management has been emerging as a new concept relatively. As SRM is the main concept of most of the enterprise resource, it has been recognized and identified as a Software tool, but it holds more data when compared to the software tool. The complete performance of the customers and the suppliers are based on the SRM; it turns out to be systematic approach when done properly (Hughes & Wadd, 2012; Metsanen, 2017). The "Supplier Relationship Management (SRM)" term means the process, practice and the methodologies followed for Supplier's interaction, said by Cavinato (2012). The SRM seems to be an organized and planned approach to define the needs and requirements of suppliers and also to establish and run the company-to-company (or procurement-to-sales) and acquire their requirements. Many consulting companies and academic research centers have shown that when the suppliers and the supply has an organized approach, they produce positive outcome according to their study (Wachira, 2013). The main challenges to the development of the Automobile industry are due to the integrated procurement and inappropriate cross-functional collaboration; further ERP capability also adds the challenge to the market's growth. Apart from the SRM software's demand, the open source vendor's growing presence is also a challenge for this market's growth (Grand View Research, n.d.). The main focus and subject of this study are on the practices of the supplier relationship management that have been followed by the automobile industries and also on the difficulties faced for the pursuit of the practice of SRM to uplift the organization's performance.

LITERATURE REVIEW

The practices of SRM which were discussed by various scholars both in developing and developed countries were reviewed in the context of Indian scenario. Research by Browne (2004) explains that the supplier relationship management is the detailed approach to organizing the interactions between the organization and the enterpriser who uses the service and manages the goods supply. Just as the Customer Relationship Management (CRM) deals in managing and developing the relationship between the customer and the enterprises, the main goal behind the Supplier Relationship Management (SRM) is also in managing and developing the relationship between the suppliers and the enterprises (Browne, 2004). But the Schulz and Blecken (2010) study highlight that the shortfall in organizational structure to generate and share the knowledge and the shortfall in coordination and cooperation of the inter-organization seems to be the main drawback, and this will result in affected humanitarian operation.

Another study by Moore (2012) states that relationship created is the new pattern of supplier relationship management which holds two-way values; Firstly often collaborating with the customers builds a strong and valued relationship in work which later results in trusted values from both the partners. The other way is the collaboration between the two partners reduces the risk and costs involved, also creating more values in the chain in comparison with others. Furthermore, Flynn et al. (2010) study state that the Supplier Relationship Management demands consistency in the ways of approach and a well-defined set of methodologies that gain trust by the industry over a period of time. Institutionalizing the different methods for collaborating with the key suppliers alone does not make an efficient supplier relationship management, but also requires to eradicate the existing practices and policies which can reduce the collaboration with the suppliers and also limit the key supplier relationships value of potential. Meanwhile, the policies and processes of SRM should maintain reciprocal changes with the suppliers.

Choy et al. (2002) have suggested that the main challenge is due to the shortfall of advanced technology for supplier relationship management. Many organizations achieve SRM by implementing modern technology such as integration; this has been used by the private sectors to be a mediator between the organizations and its suppliers. Also, most of the times if two organizations follow two different technologies, it will be difficult to generate the SRM as the network of the supply chain will be broken down since there will be a conflict between the companies resulting in difficult operation (Michel et al., 2008). Few studies have also examined the relationship between the performance of the companies and the SRM practices followed; they show that the SRM practice has a positive and remarkable effect on the Financial and Operational performance of the company. However, there are many studies that state the companies should create and follow various range of SRM practices to achieve their objectives and improve their performance, specific practices can also be followed for achieving the non-detailing result and in this study three SRM practices were highlighted such as suppliers evaluation, integration of logistics, strategic relationship in long-term and SRM relation with the four operational performance indicators (Prajogo et al., 2012). There are many practices which focus on supplier management improvement as it plays the main role in the organization's success. Many studies have also shown that they appraise in following different practices. However, there is no direct impact on every practice on the organization's main performance indicator (Hilsdorf & Romano, n.d.).

To reduce the production cost and to get an improved workflow, the organization and the supplier relationship - has to be created very crucially as mentioned in the study of Waters in 2011 and quoted by Kiarie (2017). While practicing the SRM, there are several challenges is facing, according to the study of Ochieng (2014) has mentioned that the trust is also being lacked between the organization which is the main drawback in the SRM practice, which leads to higher cost of transactions. Even in the study of Waters in 2011 and as quoted by Kiarie (2017) this is being agreed. Other researchers have also quoted that the Key elements of the SRM relationship are also the co-operation, Commitment, and the trust (Agariya & Singh, 2011; Gummesson, 2017; Palmatier, 2008). Furthermore, For profitability in long-run and for a strategic goal, the commitment and the trust should be developed which also results in loyalty (Miquel-Romero et al., 2014). The dynamic cooperation is greatly proportionate to the albeit interdependence which can be reduced when the interdependence is not only based on the relationship but also on the cost acquired which switching (Scheer et al., 2015; Larentis et al., 2018). When these challenges are overcome, there will be a good relationship between the suppliers and the organizations which will also result in a better performance of the organization operations.

METHODOLOGY

This study deals with an approach of explanatory design and the Questionnaires are used as an instrument to capture the main data. Furthermore, the study uses Descriptive statistics with the help of Statistical Package for Social Scientists (SPSS) for the quantitative data analysis. The professionals of the supply chain were the respondents in industry. The introduction of the professionals of the supply chains was because they clearly understand the organization's Supplier Relationship Management (SRM) practice and also the challenges and importance of the SRM. The study also has also implemented the Likert scale form, and the response of the respondents was captured in the view scale from 1 to 5 which is strongly agreed to disagree.

CONCEPTUAL FRAMEWORK

To link the dependent and independent variables a framework has to be developed which will also look forward to an outcome which can be explained. Examining the relationship between the variables and to understand the study which

takes up to the methodology and hence to convert into practice the framework is developed. The conceptual framework holds trust, structural organization, Lack of advanced technology, commitments, and relationship with the suppliers and lack of coordination as the independent variable and the dependent variable is considered to be the Effective SRM performance

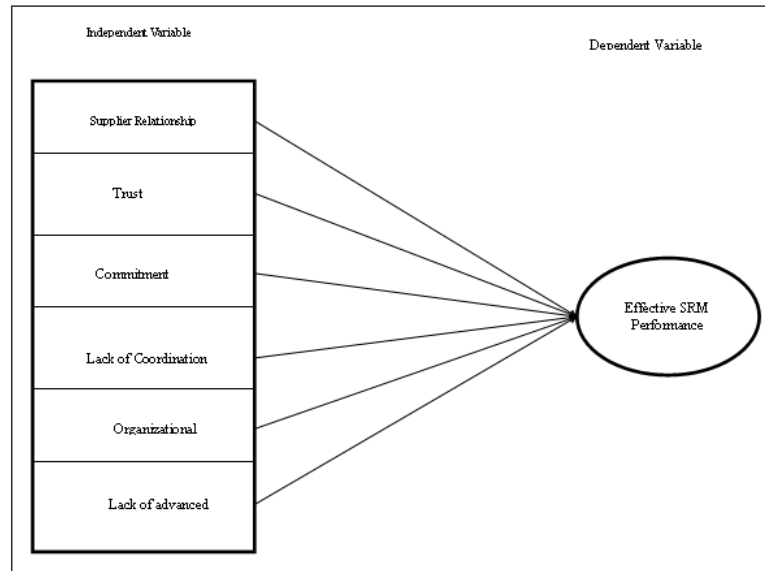


Figure 1: Conceptual Framework

HYPOTHESIS OF STUDY

- H1:** Supplier relationship has an impact on effective SRM performance
- H2:** Trust has an impact on effective SRM performance
- H3:** Commitment has an impact on effective SRM performance
- H4:** Lack of coordination has an impact on effective SRM performance
- H5:** Organizational structure has an impact on effective SRM performance
- H6:** Lack of advanced technology has an impact on effective SRM performance

DISCUSSIONS

New processes, skills, and tools are spontaneously being developed to conduct effective SRM by many organizations or by starting in the normal term, and this proves that the growing interest in Supplier Relationship Management (SRM). However, SRM implementation results in either the complete rise of the organization's relationship with the suppliers or can also lead to a poor supplier's management inside the organization, but still there exists a lot of confusion about SRM, its definitions, and its implementations. The commitments and transaction's credibility should be trustworthy, and our Indian automobile industry must establish such kind of suppliers. Though technology plays a crucial role, it is considered to be a failure while coming to the performance of supply chain, as the organizations should not only invest in implementing the technology in their own but also should invest in their supplier's partnership for operation streamline.

CONCLUSIONS

The conclusion of the study states that the hypothesis set is confirmed to be true with the data collected, discussed and analyzed that there are challenges faced by an effective Supplier Relationship Management's performance. Knowledge of the suppliers is a must to rise from the problems faced in Supplier Relationship Management, Suppliers cooperation, and Management of time is the key point to improve the SRM performance. Further, studies recommend implementing strategic SRM, to account SRM supported policies and the managers of Supply chain should develop the performance of the organization.

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